Market Assessment
Wood Market User Group (MUG)

Introduction

The Indiana Business Modernization and Technology Corporation requested research to analyze three broad segments in the wood products industry to support the companies in the wood market user group.

Research includes growth projections for wood furniture, kiln dried hardwood lumber and wood coating markets as requested by the client. Growth prospects for the particular segments, the growth of customer/user segments affecting demand, international activity and industry size information are included as available. While we found extensive information on some segments, others were covered very sketchily, if at all, in the market information we uncovered.

This information is supplemented with associations pertaining to the identified potential user markets and trends as well as a list of some foreign manufacturers that are responsible for imports into these U.S. markets.

Industry Segment – Wood Furniture

This section includes forecasts, projections and trends relating to the overall market for furniture (not just wood), wood products and the specific markets noted by the client, including office furniture, educational furniture, home and outdoor furniture. The section begins with broad forecasts and ends with specific forecasts for the individual markets. The section also includes some international prospects and opportunities as well as information regarding industry size.

Furniture

Furniture spending rebounded faster than expected in 2004 and will keep rising this year and next, although at a slower pace. U.S. consumer spending on furniture and bedding jumped 8.1 percent, an increase over the 2.4 percent rise in 2003. Spending is expected to grow 4.1 percent this year, and 4.2 percent in 2006. A declining unemployment rate and higher disposable income have allowed for more furniture spending and should keep shoppers in stores. U.S. furniture factories will also see increases in shipments with a predicted growth of 3.7 percent this year and 2.7 percent next year. Furniture store sales rose an estimated 4.5 percent last year and are expected to grow 2 percent this year and 2.7 percent next year (Furniture Today; January 10, 2005).

The future for the U.S. furniture industry as a whole appears to have a positive outlook, according to the report *Identifying Future Competitive Business Strategies for the U.S. Residential Wood Furniture Industry: Benchmarking and Paradigm Shifts* (March 2003) by the U.S. Department of Agriculture. The report states:

> "The path to the future for the U.S. furniture industry must be based on the only substantial competitive advantage we have – proximity to the market. This, combined with innovative and novel ideas in all aspects of the furniture industry – design, supply chain, manufacturing, distribution, service, and customer relations – presents the opportunity for the industry to take advantage of the positive market outlook for furniture sales for future decades."

This report, which we believe to be a good synopsis of the industry, is included in its entirety in the attachments.

Low-cost imported furniture, and the price pressure on U.S. plants that compete with imports, is believed to be holding down retail prices. U.S. wholesale prices for furniture did rise an estimated 2.6 percent in 2004, but are expected to rise just 1 percent in 2005 and 0.1 percent in 2006. Rising U.S. interest rates are expected to dampen home construction and sales, though not by much. This slowdown may actually help the furniture industry as consumers focus on furnishing the homes they already have. Consumers are also spending more money on cell phones, cable or satellite services, and Internet access, which takes more disposable income away from consumers each month, which, in turn, could affect the furniture industry (Furniture Today; January 10, 2005).

International Activity

Imports are holding down retail prices of furniture, and China is the leader of importing countries. China accounted for $4.9 billion of U.S. furniture imports from January to September of 2004, an increase of 24.4 percent from the same period in 2003. Canada ($1.9 billion of imports; 2.7 percent change), Italy ($835 million; -7.9 percent change), Mexico ($543 million; 15.8 percent change), and Malaysia ($527 million; 22.3 percent change) round out the top five. Vietnam accounted for $272 million of imports in 2004 and had the biggest percent change from 2003 to 2004 at 95.7. Total imports of U.S. furniture equaled $11.5 billion (Industrial Strength Woodworking: Trends & News; January 2005). Proactive American firms can also find good business opportunities in Southwest China where economic development and improvement in the standard of living has increased demand for furniture in recent years. Sales of furniture in Western China totaled $1.81 billion in 2003 (Stat-USA; U.S. Department of Commerce; Washington D.C.; 202-482-2164; www.stat-usa.gov; August 5, 2004).

Some European countries, such as Germany, Austria, and Luxembourg spend a higher percentage on furniture per capita per year than the U.S., according to the *Identifying Future Competitive Business Strategies for the U.S. Residential Wood Furniture Industry*. Per capita spending on furniture in the U.S. per year is roughly $320, while Germany and Austria have per capita spending is around $400 per year.

The furniture and furnishings market totaled over 10.9 billion Euros in Europe in 2003, a 25 percent increase since 1998. Furniture buyers primarily purchase furniture to meet basic needs, but increasingly consumers purchase products due to style changes and the desire for new items. These factors have led industry experts to believe that furniture will be replaced more often in future years (Marketing Week; October 14, 2004). Replacement purchases account for 70 percent of all furniture sales. Thirty percent of furniture is bought after births, the new formation of households, or the breakdown of existing furniture. Demand for furniture has an average elasticity of 1.5, which means that if the income increases by 1, the demand for furniture rises by 1.5, and vice versa. Demand also depends on consumer's confidence in the economy, level of employment, growth of the GNP, intensity of advertising and marketing, and the distribution of wealth. Demand for furniture is higher in countries where wealth is more evenly distributed than in countries where wealth is more concentrated (European Furniture Manufacturers Federation; Brussels, Belgium; www.ueanet.com).

The EU furniture industry accounts for half of the world furniture production. In 2002, exports of furniture decreased 1.2 percent. Exports to the U.S. rose in volume (5.5 percent), but decreased in value (1.5 percent). Exports to Russia increased by more than 11 percent, but decreased in volume by 3.1 percent. The highest rates were to Ukraine (up 50 percent to 101 million Euros) and to Croatia (up 26 percent to 95 million Euros). Germany, France, Italy, United Kingdom, Spain, Netherlands, Belgium and Austria all had decreases in the turnover value of the domestic furniture industry in 2002 (European Furniture Manufacturers Federation; Brussels, Belgium; www.ueanet.com).

U.S. furniture exporters can find opportunities in Russia where economic development and the shift to the Euro have increased furniture sales. Sixty percent of the furniture in Russia is imported and is of better quality than domestically-made furniture. Thirty percent of all materials used in furniture manufacturing are imported. Russian manufacturers prefer to import accessories and auxiliary parts such as hardware, hinges and fastening elements, and the majority of coating and facing materials. The best prospects for U.S. companies in Russia are in hardware and other components, equipment sales, or joint production (Stat-USA; U.S. Department of Commerce; Washington D.C.; 202-482-2164; www.stat-usa.gov; May 7, 2004).

Office Furniture

After three down years, the office furniture industry is beginning to get back on track. The industry still faces a challenging business environment, but business is on the upswing. Sales in 2004 increased over previous-year volumes, the first positive year since 2000. After peaking in 2000 at $13.3 billion, industry wide sales fell 36 percent in a three-year period and 44 office furniture manufacturers showed a loss of 6.95 percent in 2003 (FDM; April, 2004). With the rising U.S. economy, the office furniture industry is expected to finish 2004 with about $8.9 billion in sales, an increase of 4.8 percent over 2003. The Business and Institutional Furniture Manufacturers Association is forecasting an even better 2005 with an eight percent increase in sales (Grand Rapids Business Journal; January 17, 2005).

U.S. offices are becoming filled with more natural material. Design trends such as soft lighting, ergonomic furniture and natural woods seem to have a greater emphasis on employee comfort. “Wood furniture has become more popular than the shiny, hard metallic surfaces of the high-tech boom era,” according to Lee Stapp, Chief Operating Officer of OfficeSpaces in Colorado Springs, CO. Offices are also changing the type of wood furniture they purchase. The trend is now towards cherry wood instead of oak or walnut. The finer furniture also has a particle board core covered in very fine veneer which has resulted in better furniture for less money (The Colorado Springs Business Journal; January 14, 2005).

From 2000 to 2003, production by U.S. office furniture manufacturers fell by more than 1/3, to $8.5 billion. “Our industry had to lay off 30,000 people nationwide,” said Paul Miller, Director of Government Affairs for the Office Furniture Dealers Alliance (Alexandria, VA; 703-549-9040; www.ofdanet.org;The Milwaukee Journal Sentinel; January 17, 2005).

International Activity

Wood office furniture exports have declined each year from 1999 to 2003. The U.S. trade value was $70.6 million in 2003, the lowest value in five years. However, U.S. imports of wooden office furniture have risen in the past few years. The trade value in 2003 was $749.4 million, an increase from 2002’s $642.5 million (United Nations Statistics Division; New York, NY; 212-963-1234; http://unstats.un.org/unsd/default.htm).

China

“Frequently, companies which take up new office space also upgrade their office furnishings. This phenomenon has created a significant expansion of the middle and upper-end office furniture markets,” as stated in Research and Markets’ report titled *China Office Furniture Industry* (September 2004). International furniture companies have been moving their operations to China recently because of China’s lower labor costs and large consumer market. “In January 2005, furniture import tariffs in China will fall to zero. Following this, it is expected that more international furniture players will enter the Chinese market,” according to the report.

In China, a group of office furniture manufacturers have formed a group, which includes the following companies: Lamex, China Resources Logic, UB Aurora, Changjiang, Hauli, Huaya, Chengfeng, Jianwei, Keyu, Ocean, Braw, Nanyang, Rongfeng, Guojing, Zhongtai and Chunguang. In addition, a few companies that manufacture both office and home furniture have created a group. The companies in this group include Landnord, Tiantanm and Gotop. A number of other companies are mentioned throughout the report, which also includes general trends affecting the office furniture industry and factors affecting the market place including imports and exports. (A description of the report and the table of contents are included in the attachments. The entire report can be purchased online at www.researchandmarkets.com for $395.)

United Kingdom

In 2003, the U.K.'s market for office furniture and accessories was estimated to be worth 1.18 billion GBP, a decrease of 1.8 percent from 2002. In 2002 and 2003, there was a steep downturn in demand for office furniture worldwide, as a result of deterioration in economic conditions. Office furniture increased 19 percent between 1999 and 2001, but decreased by 18.3 percent between 2001 and 2003. However, "over the next five years, sales of office furniture are expected to rise steadily and, overall, between 2004 and 2008, the market is forecast to grow by 20.9 percent" (Business Wire; August 31, 2004).

Industry Statistics

The October 2002 census reported that wood office furniture had a shipment value of $1.7 billion from a total of 569 establishments. The top five states for wood office furniture manufacturing are: California (89), New York (38), North Carolina (36), Michigan (30), and Florida (28) (U.S. Census Bureau).

Educational Furniture

Educational institution furniture manufacturing in 2002 had a value of $2.6 billion with a total of 725 establishments. The top five states for institutional furniture manufacturing are: California (100), Texas (45), New York (42), Illinois (39), and Michigan (39). Of those establishments, 50 manufacture school furniture (except stone and concrete), with a value of $2.7 billion. Public building and related furniture, excluding bar, bowling center, cafeteria, restaurant, and school furniture had 105 establishments and a value of $819 million. Bar, bowling center, cafeteria, and restaurant furniture had 88 establishments and a value of $598 million (U.S. Census Bureau).

Approximately 2.4 million freshmen entered college in the fall of 2003, causing furniture stores such as Ikea and Target to launch specific lines catering to back-to-school furnishings. Such furnishings include dorm-sized tables, chairs and lamps. These stores aimed to provide stylish, functional furniture at a low price. Consumers ages 12 to 19 spent $170 billion dollars in 2003, some of which went to dorm furniture (Portland Press Herald; August 2004). "Dorm and apartment furnishings account for $2.6 billion of expenditures by students and parents during the back-to-school season alone," as reported in Retail Merchandiser (August 17, 2004).

Many school districts are interested in classroom furniture with features that enhance the durability or flexibility of the product. For example, the Capistrano, FL, school district only purchases furniture with adjustable legs. They found that well designed furniture could then be shifted throughout the district (American School & University; June 1, 2002). School districts have recently asked that manufacturers reconsider what materials they use in their classroom-use products. Low price has taken a backseat to durability in many districts. In the past, "we used to use high-density particle board with laminate on the desktops. I do not know how many we had to replace over the years. Now hard plastic desktops are available. We've been very happy with the hard tops," stated Greg James, director of purchasing for Springfield, OR public schools. (American School & University; May 1, 2001).

In 2003, there was an all-time high of 15 million students enrolled in institutions of higher education and this number is expected to increase nationally until at least 2010, according to The Chronicle of Higher Education (February 25, 2005). High school graduation numbers are expected to increase until 2009; however, college enrollments are projected to continue to rise, especially in popular college states such as California, Arizona, Georgia and Florida. University representatives in California expect enrollment to increase by 700,000 students by 2010, and university representatives in Arizona predict enrollments to surge nearly 50 percent by 2020. Universities in less popular states such as Alabama, South Dakota and Vermont all are expressing a willingness to accept students from other over populated universities.

Hospitality

Hotel Construction

Hotel construction is anticipated to accelerate in 2005, as reported by Lodging Hospitality (January 2005). This projected growth is attributed to an increase in net hotel openings, which is predicted to increase by 1.7 percent by the end of 2005. The majority of hotel openings will be upscale establishments, with Courtyard by Marriott, Hilton Garden Inn, and Residence Inn anticipated to account for the majority of hotel construction.

Restaurant Construction

The restaurant industry is anticipated to spend $74 billion on construction over the next 10 years, as reported by the National Restaurant Association (Washington, D.C.; 202-331-5900; www.restaurant.org).

Stores, restaurants, automobile service stations, and other commercial buildings accounted for $40.9 million of the total commercial and institutional building construction in 2002. New construction of these buildings accounted for $27.2 million, additions, alterations, or reconstruction accounted for $11.3 million, and maintenance and repair accounted for $2.3 million (U.S. Census Bureau).

Home Furniture

Household furniture spending is anticipated to grow 23 percent from $64.1 billion in 2001 to $78.8 billion in 2011. Research and Markets predicts that American household furniture spending growth will continue at an average rate of two percent each year "reflecting the pace of household growth and real household incomes." Retail sales of household furniture should grow 2.4 percent in 2005. "The overall economy and personal income are improving, employment figures are looking good and housing starts remain stronger than ever," said Stefan Willie, President of Aktrin Furniture in Canada. "A lot of people predicted that we would have a housing slowdown greater than what we have seen so far. Even if housing does not go up in unit terms, people are buying bigger, more expensive housing and that's good for the furniture industry (Industrial Strength Woodworking: State of the Industry; June 2004).

Nevada is predicted to have the highest spending growth rate (47.2 percent) with Arizona (39.6 percent), Utah (37.8 percent), Florida (32 percent), Colorado (31.1 percent) and Idaho (30.1 percent) all reflecting stronger than average household growth and household income growth. The lowest growth rates are predicted for District of Columbia (7.2 percent), Connecticut (14.1 percent), and New York (14.1 percent). California is currently the largest market in the U.S. and is predicted remain the largest in ten years' time (Business Wire; August 6, 2004). (The Research and Markets report on The Furniture Industry in the U.S. and Canada can be purchased at www.researchandmarkets.com for $748. The abstract and the table of contents of the report are included in the attachments.)

Over the last two decades, household furniture purchases increased significantly from $23.8 billion in 1983 to $71.6 billion in 2003, or more than three times. Sales increased at an average annual pace of 6.1 percent over the period, however, growth has been slower lately with a 2003 sales growth of 2.7 percent. Furniture spending growth is projected to continue through 2013, slowing from an annual rate averaging around 3.3 percent in 2005 to a rate of 2 percent from 2006 to 2008, 1.5 percent in 2009 and 2010, and only 1 percent from 2011 to 2013. Thus, real household furniture spending, in constant 2003 dollars, will grow by 23.8 percent from $71.7 billion in 2003 to $88.7 billion in 2013 (Global Wood Trade Network; November 1, 2004).

In 2003, a survey showed that 93 residential furniture manufacturers only grew 2.5 percent (FDM; April 2004). Residential housing patterns and increased remodeling activity have contributed to fairly steady growth for the furniture and appliance industries since 1991. High housing activity has also contributed to household durables growth through early 2004. Home ownership grew to a record 68.6 percent in 2003, which bodes well for furniture manufacturers, in that homeowners generally buy more household durables products and spend more dollars per item than do renters. Private homes are getting larger, more total floor space and a greater number of rooms per house have translated into more furniture sales. New homes averaged 2,320 square feet in 2002, compared to 1,645 in 1975. Approximately 36 percent of all new homes had 4 or more bedrooms, an increase from 20 percent in 1975 (Standard & Poor's Industry Surveys: Household Durables; May 6, 2004).

"This cohort has historically spent more in total dollars on home remodeling than any other demographic group. Furthermore, as consumers enter their prime income-earning years (between 35 and 55), they are more likely to replace old, inexpensive furniture with new, higher-quality brands. Many consumers are also spending more time at home with family and friends. Such individuals are likely to want their interiors to be as comfortable and attractive as possible," according to Standard & Poor's Industry Surveys: Household Durables (May 6, 2004).

International Activity in Wood and Household Furniture

Wood residential furniture imports surged during the first quarter of 2004 to reach $3.6 billion, an increase of 14.6 percent over the same period in 2003. China shipped $1.48 billion worth of household furniture to the U.S. including $375 million in wood bedroom furniture, an increase of 29.3 percent over the first quarter in 2003. A significant rise from Vietnam stems from their aggressive approach to find foreign investors to build new plants and capitalize on labor rates that are reportedly half or less of what furniture workers make in China (Industrial Strength Woodworking: State of the Industry; June 2004).

U.S household furniture imports jumped from 21.6 percent in 1994, to 41.4 percent in 2003. The increase was even greater in the wood household arena where imports' share has risen from 26.4 percent in 1994 to 51.8 percent in 2003. A major portion of these market share gains by foreign sources has been fueled by domestic furniture manufacturers that have either moved some of their production offshore or are outsourcing new furniture lines from foreign manufacturers instead of producing them in their U.S. plants. According to a review of 10 public furniture companies by Mann, Armistead & Epperson, Hooker Furniture imports an estimated 40 percent of their furniture. Ethan Allen and Furniture Brands each import 22 percent of their products (Industrial Strength Woodworking: State of the Industry; June 2004).

The U.S. imported $10.5 billion more in wood furniture and components than it exported through the first three quarters of 2004, establishing a new record January-September furniture trade deficit. Total furniture imports increased 15.3 percent during the first nine months, but exports increased just 9.4 percent to $1.03 billion (Industrial Strength Woodworking: Trends & News; January 2005).

Residential wood furniture imports increased 19 percent in the second quarter of 2004 and domestic wood imports totaled $2.5 billion in the second quarter, an increase of 4.2 percent from the same quarter in 2003, according to Jerry Epperson of Mann Armistead & Epperson, an investment banking and advising firm (USA Today; November 2, 2004).

Industry Establishments

In 2002, shipments of non-upholstered wood household furniture products had a shipment value of $7.7 billion from a total of 4,114 establishments. Of those establishments, 339 were for wooden household den, family room, library, and living room furniture with a total shipment value of $2.14 billion (U.S. Census Bureau; Washington, D.C.; 301-763-4636; www.census.gov).

Outdoor Furniture

Companies that produce outdoor furniture and outdoor accessories are enjoying a resurgence in growth and new product introductions. "The market for outdoor and casual furniture and accessories is regaining its upward momentum, growing between 5 percent and 6.5 percent over the next five years to reach nearly $8 billion in retail sales by 2008," according to Packaged Facts (M2 Presswire; November 5, 2003).

The popularity of backyard outdoor rooms is soaring and the selection of products is even greater. Many of the new outdoor furniture products are so luxurious they can almost be mistaken for indoor furniture. Regarding other trends in the outdoor furniture market, big tables and chairs and furniture that prompt conversation are "in." Alternative tabletops such as marble, mosaics, granite or stone are replacing traditional glass. Earth tones are widely popular and black and silver are also becoming fashionable (American Furniture Manufacturers Association; High Point, NC; 336-884-5000; www.afma4u.org; Summer 2003).

Regarding trends in materials used for outdoor furniture, "white is receding as a primary outdoor furniture color, as earth tones and deep, muted colors such as caramel and espresso brown grow in popularity. More distinctive finishes, such as aged copper or bronze in metal furniture and faux wood texture in plastic pieces, are also gaining popularity" (Research Alert; November 21, 2003).

Households with annual incomes of $100,000 to $150,000 are the biggest buyers. Another indicator for purchases of outdoor furniture is the presence of children in the household. Those with children under age 2 are 37 percent more likely to purchase outdoor furniture than the average consumer, those with children age 12 to 17 are 27 percent more likely, and families with children age 6 to 9 are 21 percent more likely (Research Alert; November 21, 2003).

Industry Segment – Kiln Dried Hardwood Lumber

This section includes forecasts, projections and trends relating to the overall market for kiln dried hardwood lumber, and the specific markets noted by the client, as information was available. These markets include: hardwood flooring and trim, veneer, veneer logs, hardwood dimensional components, specialty molding, framing, and fireplace mantels. We start this section with broad forecasts and finish with specific forecasts and trends for the individual markets when possible. The section also includes some international prospects and information regarding industry size.

Kiln Dried Hardwood Lumber

The October 2002 census reported that kiln dried lumber manufactured from purchased lumber had 130 companies with shipments of $100,000 or more. Product shipments had a value of $582 million (U.S. Census Bureau).

Millworks

With stable material costs and more new projects, millwork manufacturers look to 2005 with cautious optimism. Many members of the Architectural Woodwork Institute are optimistic that increased bidding and work on the books in the design community will make 2005 a much stronger year than 2004. The volume of work increased for 2004, but material costs did too, making 2004 a tough year for the millwork industry. Schools and hospitals were a big market last year, but school budgets became tight in the last year and spending will most likely decrease in 2005. Remodeling projects on public libraries and airports were also plentiful last year. Office market activity is also picking up as businesses seem to be remodeling rather than expanding (FDM; December 2004).

Custom architectural woodwork and millwork manufacturing had 1,557 establishments and a value of $2.4 billion in 2002. In 1997, there were 1,105 establishments with a value of $1.4 billion. The top five states for custom architectural woodwork and millwork manufacturing are: California (140), New York (136), Pennsylvania (85), Texas (84), and Florida (71) (U.S. Census Bureau).

Hardwood Flooring and Trim

Wood flooring, for the next five years, is expected to remain a growth sector in the U.S. floor covering industry, according to National Flooring Trends (April 2004). U.S. wood flooring sales are projected to reach $3.4 billion in 2008, which will be 12.8 percent of the total floor covering sales. Quantity sales of wood flooring is forecast to increase at a compound annual rate of 5.6 percent, totaling 1.3 billion square feet in 2008, which will represent 4.3 percent of the total U.S. floor covering demand. Wood flooring dollar sales are expected to increase at a compound annual rate of 9 percent between 2003 and 2008.

In 2003, the U.S. wood flooring market saw sales in excess of $2.2 billion, an increase of 11.7 percent over 2002. Wood flooring volume sales also increase in 2003 by 6.7 percent, totaling 986 million square feet. The most recent wood flooring trends point to an increased demand in proprietary finished and pre-finished flooring as well as glue-less technology between the floorboards. (A complete wood flooring industry report is available for $2,495 from Catalina Research, Boca Raton, FL; 212-685-7876; www.catalinareports.com. The abstract of the report is included in the attachments.)

Distressed wood floors are becoming popular in the U.S. flooring market. "Many [people] come to feel there is neither beauty nor art in the so-called clear grades of wood. Increasingly, people consider knots or mineral streaks in the grain to be beauty spots rather than defects." This current trend reflects the looks found in European castles. Customers want floors that showcase the character and longevity of the wood. The most popular distressed woods are walnut, hickory, cherry, oak and maple respectively (National Floor Trends; March 2004).

Hardwood flooring is the fourth best floor covering sold, according to a floor covering dealers and contractors survey. Hardwood flooring equaled nine percent of sales and was ranked behind ceramic tile, sheet vinyl flooring and carpet/area rugs (National Floor Trends; June 10, 2003).

U.S. shipments of finished and unfinished solid wood flooring totaled 627,500 of board feet in 2002, an increase of 47,900 feet from 2001. Solid wood flooring has increased steadily from 1993 to 2002 according to the National Oak Flooring Manufacturers Association, also known as the National Wood Flooring Manufacturers Association (NOFMA; Memphis, TN; 901-526-5016; www.nofma.org; National Floor Trends; April 2003).

Other millwork (including flooring) had 2,064 establishments with a value of $2.5 billion in 2002. In 1997, there were 1,464 establishments and a value of $1.8 billion. The top five states with the most establishments are: California (215), Texas (140), Pennsylvania (108), New York

(102), and Connecticut (100). Hardwood flooring, specifically, had 102 establishments in 2002 with a value of $750 million (U.S. Census Bureau).

International Activity

United Kingdom wood floor coverings totaled 2.4 million square meters in 2003. Contract Flooring Journal (November, 2003) predicts wood flooring will increase steadily each year with a total of 3.5 million square meters in 2007.

The hardwood flooring market in Canada hit $522 million in 2002, and represents 21 percent of the Canadian floor covering market. "It's double what it was a decade ago and it's higher than the hardwood flooring position is in the U.S. floor-covering market," according to Stuart Hirschhorn, Catalina's director of research. The North American trend is a move toward engineered and pre-finished hardwood products. Wood flooring is becoming easier to install and targets the DIY (do-it-yourself) market. Engineered wood floors are increasing in the Canadian market place and are estimated to be around 60 percent of the wood floors laid. Though mostly for residential use, hardwood flooring is also becoming more popular in the commercial market. "There's a demand for wood on the commercial side for people who want to give a distinctive look to commercial areas" (Award Magazine; August 1, 2004).

Veneer and Veneer Logs

Hardwood veneer and plywood manufacturing had 335 establishments and a value of $1.3 billion in 2002. In 1997, there were 331 establishments with a value of $1.1 billion. The top five states with establishments of hardwood veneer and plywood manufacturing are: North Carolina (54), Indiana (33), Wisconsin (24), California (21), and Michigan (15). Regarding materials used for hardwood veneer and plywood manufacturing, hardwood logs and bolts had a delivered cost of $333 million (U.S. Census Bureau).

International Activity

Worldwide exports of American hardwood lumber and logs grew by four percent and nine percent, respectively in 2003, but hardwood veneer shipments were stagnant. Total exports of American lumber amounted to $1.29 billion with veneer adding another $417 million. The leading export lumber item globally was red oak, closely followed by white oak, amounting to 42 percent of sales value and 40 percent of volume (The Timber Industry Magazine; April 17, 2004).

In 2004, the U.S. imported nearly $152 million of veneer wood sheets totaling 610 square meters. These veneer sheets were either sliced or peeled and not thicker than 6mm, according to the International Trade Administration (ITA; Washington, DC; 800-872-8723; www.ita.doc.gov). The top four exporting countries of the veneer sheets are: Indonesia ($46.6 million), Malaysia ($36.1 million), Spain ($24 million) and China ($16.1 million).

Hardwood Dimensioned Components

We were unable to uncover any market information using these product terms.

Cabinets, Specialty and Carved Molding Applications

Cabinet sales are increasing, according to a survey done by the Kitchen Cabinet Manufacturers Association. "The year-to-date cabinet sales increased 16.8 percent, with stock sales up 17.8 percent, semi-custom up 18.9 percent and custom up 1.6 percent." More specifically, cabinet sales for November 2004 increased 18.8 percent over November 2003. Stock cabinet sales were up 22.8 percent, semi-custom sales increased 17.7 percent and custom cabinet sales increased 0.9 percent (Industrial Strength Woodworking: Trends & News; January 2005).

Though it was not a great year for the wood manufacturing industry as a whole, the cabinet market continued its fast growth in 2003. Combined sales of 64 cabinet companies grew by 14 percent, or $1.2 billion, to a total of $10.3 billion in 2003.

In 2004 the U.S. imported just over $8.4 billion of wood moldings, totaling 11,622 square meters of molding material, according to the International Trade Association (ITA; Washington, DC; 800-872-8723; www.ita.doc.gov). The top three exporting countries of wooden moldings to the U.S. are: Brazil, with shipment value totaling $4.03 billion, China with shipment value totaling $1.38 billion and Indonesia, with sales totaling $ 1.33 billion.

Fireplace Mantels

Our research did not uncover trends and forecasts specifically for fireplace mantels, however we did find information on the fireplace market. Fireplaces are becoming a standard in every new house built as well as an addition in 30 percent of home remodeling projects. In 2003, manufacturers shipped nearly 1.6 million fireplace units, which is an increase of 5 percent over 2002 and an increase of 108 percent since 1992. There were 1.1 million new housing builds in the U.S. in 2003 and 59 percent, nearly 640,000, of the houses were built with a fireplace, according to the National Association of Homebuilders (Milwaukee Journal Sentinel; November 7, 2004).

Industry Segment – Wood Coatings

Environmental concerns and increased construction will create higher annual U.S. sales of protection coatings and preservatives for wood. According to the Freedonia Group, the wood coating market will increase 2.1 percent through 2007, an increase from the 0.6 percent growth from 1997-2002. Freedonia predicts favorable gains in interior wood applications, such as furniture, flooring and cabinets. "Demand will benefit from a shift in product mix and solid levels of construction-related repair and improvement spending." Environmental concerns over volatile organic compounds (VOC's) have resulted in the switch to water-based coatings for on-site applications, and powder and radiation-cure coatings in factory applications. Wood-coating suppliers will "strive to develop product lines that feature a wider range of colors, improved efficiency and enhanced durability" (Chemical News & Intelligence; February 24, 2004).

Foreign Manufacturers

We were not able to find one affordable resource that lists the largest foreign companies exporting wood products to the U.S. from a public source; however, we did find a few private sector companies with reports available for purchase. One industrial source is the Thomas Global Register. In veneers, for example, 651 companies are listed, mostly from Japan, Brazil and the United States.

PIERS Global Intelligence Surveys offers a report including the names of all foreign shippers, names, addresses and detailed commodity lists for $4,320. Wael Jarous, Trade Intelligence Consultant, informed us that WISC would receive a 15 percent discount for being a non-profit organization. If the client is interested in purchasing the report, they should do so through WISC to receive the discount. A sample of the report is included in the attachments.

Following is a sample of companies that export wood products to other countries from the Global Wood Trade Network and Kompass, a company database.

Company Name	Location	Website	Company Overview
Shepard International Business	Curitiba, Brazil	Not available	Exporter of tropical wood, solid wood flooring, solid wood molding, stair nosing and rounding and tropical wood decking
GCC	Bucharest, Romania	www.gcc.ro	Producer and exporter of wood products including flooring, furniture, parquet, etc
Cush Company	Douhala, Cameroon	Not available	Processes and exports tropical hardwood from Cameroon into flooring as well as kiln-dried wood boards.
BG International	Pietermartizburg, South Africa	Not available	Exporters of African timber and flooring
BJTC	Warsaw, Poland	Not available	Exporter of wood, parquet, floor boards, and other goods
Harbin Shunlin Import and Export Co.	Harbin, China	www.wooden-shunlin.com	Exporter of wood products such as timbers, wooden flooring, frames, doors and other wooden products for 19 years to over 20 countries.
Nesca T & C	Hengelo, Netherlands	Not available	Importer and exporter of wooden floors and laminate
Euro Natur Parkett	Dortmund, Germany	www.euronaturparkett.de	Worldwide exporter of oak wood flooring
Complet Chmiesewscy SpJ	Gnienzo, Poland	Not available	Manufacturer and exporter of wooden sofas, couches and chairs
Dansk Boligstal A/S	Norresundby, Denmark	Not available	Manufacturer and exporter of wooden and steel furniture for trade, industry and institutions
Turakhia Overseas Pvt. Ltd.	Maharashtre, India	Not available	Manufacture and exporter of wooden furniture, veneers and plywood

Relevant Trade Associations

Complete information for each association is included in the attachments.

Organization	City	State	Phone Number	Website
American Furniture Manufacturers Association (AFMA)	High Point	NC	336-884-5000	www.afma4u.org
American Society of Furniture Designers (ASFD)	New London	NC	910-576-1573	www.asfd.com
Association of Woodworking and Furnishings Suppliers	Commerce	CA	323-838-9440	www.awfsupplierfinder.org
Business and Institutional Furniture Manufacturer's Association	Grand Rapids	MI	616-285-3963	www.birma.org
European Furniture Manufacturers Federation	Brussels	Belgium	32-2-2181889	www.ueanet.com
Hardwood Plywood and Veneer Association (HPVA)	Reston	VA	703-435-2900	www.hpva.org
Independent Office Products and Furniture Dealers Association	Alexandria	VA	703-549-9040	www.iopfda.org
Leisure and Outdoor Furniture Association	Chichester	United Kingdom	44-1243-839593	www.lofa.com
National Association of Office Furniture Manufactures	Mexico City	Mexico	52-55-2071798	unavailable
National Home Furnishings Association (NHFA)	High Point	NC	336-886-6100	www.nhfa.org
National Wood Flooring Association (NWFA)	Chesterfield	MO	639-519-9663	www.woodfloors.org
Office Furniture Dealers Alliance	Alexandria	VA	703-549-9040	www.ofdanet.org
Office Furniture Distribution Association (OFDA)	Petersham	MA	978-724-3507	www.theofda.org
Powder Coating Institute (PCI)	Alexandria	VA	703-684-1770	www.powdercoating.org
The Furniture Society	Asheville	NC	828-255-1949	www.furnituresociety.org
The Wood Flooring Manufacturers Association (NOFMA)	Memphis	TN	901-526-5016	www.nofma.org
Unfinished Furniture Association (UFA)	Mount Laurel	NJ	800-487-8321	www.unfinishedfurniture.org
Woodworking Machinery Industry Association (WMIA)	Baltimore	MD	410-931-8100	www.wmia.org
Wood Machinery Manufacturers of America (WMMA)	Philadelphia	PA	215-564-3484	www.wmma.org
Woodworking Machinery Suppliers Association (WMSA)	Derbyshire	United Kingdom	44-1629-826998	www.wmsa.org.uk

Research Notes

Quarterly Financial Performance Indicators Report summarizing the current conditions in the residential furniture industry can be purchased from American Home Furnishings Alliance at www.ahfa.us for $50. The report includes industry shipments, inventory and receivables for the wood and upholstered household furniture industries.

The International Directory of Importers: Furniture and Home Furnishings is available for purchase from importersnet.com. The report can be purchased for $320 for either the printed or CD-Rom version, or $370 for both. The information includes: name and address; name of contact person; email address; year established; number of employees; telephone and fax numbers; bank reference; a listing of furniture and home furnishings currently being imported. The sample directory pages and list of countries and directory index is included in the attachments.